

COMHAIRLE CONTAE ÁTHA CLIATH THEAS **SOUTH DUBLIN COUNTY COUNCIL**



MEETING OF SOUTH DUBLIN COUNTY COUNCIL

Monday, November 8th, 2021

Headed Item No.14

Audit Committee report to Council on its consideration of the audited financial statement 2020 and auditor's report.

REPORT:

1. Introduction

At the Audit Committee meeting held on 21st October 2021, the Principal Local Government Auditor was in attendance to review and discuss his audit and report in respect of the Council's Annual Financial Statement 2020. Where questions were posed by committee members, these were responded to by the Auditor and the committee was satisfied with the responses.

Issues highlighted by the Auditor were discussed and considered by the committee along with the Chief Executive's responses to those issues raised. In accordance with Section 60 of the Local Government Act 2014, I set out hereunder the Committee's report in respect of the key issues considered by the committee and our overall conclusions.

2. COVID-19 – Impact on Local Authorities

The committee noted the significant impact of the Covid-19 outbreak and mitigation measures on the finances of the local authority during 2020.

The Local Government Auditor highlighted two schemes in particular that were introduced to support local businesses, the Restart Grants scheme and the Rates Waiver scheme.

The committee were satisfied with the detailed information provided in the audit report in relation to these two schemes and noted the new measures dealing with the accounting treatment of same in the audited Annual Financial Statement 2020.

3. Financial Standing

The net surplus for the year in the amount of €21k after transfers to reserves of €45.7m was noted by the committee. The committee also noted the significant movements during the year in the finances in the following areas: the increase in bank investments of €51m and the increase in creditors and accruals of €56m.

4. Income Collection

The Local Government Auditor highlighted the collection yields from Rates, Rents & Annuities and Housing Loans in 2020. The committee noted the yields for 2020.

In relation to the commercial rates collection figures, the Local Government Auditor explained how the collection percentage is not comparable with previous years due to the accounting treatment of the Rates Waiver scheme. Had the grant income been treated as collected and not waived the collection would be 89%. The Chief Executive commented that a collection of 89% shows a steady and continued improvement in the rate collection. This was noted by the committee.

The Local Government Auditor highlighted that the collection yield for housing rents decreased and “remains poor at 74%”. The committee recognises the seriousness surrounding poor collection of housing rents which will require ongoing attention and review by Council management, to improve the collection rate. The committee noted the Chief Executive’s response outlining the impacts that Covid-19 has had on the lives of Council tenants and the various impediments to the Council as a result of national government directions concerning pandemic related restrictions.

The committee welcomed the increase in the collection percentage for housing loans in 2020 and the corresponding reduction in arrears at year end.

The Local Government Auditor again raised concerns in relation to the system for recording and accounting for housing loans. The committee noted this and the Council’s response consisting of a comprehensive review and the introduction of a project to integrate housing loans into the Council’s financial management system.

The Local Government Auditor highlighted the 14% increase in gross debtors, including those from the main income collections. The committee welcomes the establishment of an expanded Debt Collection Unit to provide a more targeted approach in the collection of outstanding monies due to the Council.

5. Capital Account

The Local Government Auditor confirmed the decrease in capital expenditure from €111m in 2019 to €90m in 2020 and the decrease in capital income from €157m in 2019 to €127m in 2020. The committee acknowledge the understandable reduction in activity in relation to capital projects during 2020.

6. Voluntary Housing and Approved Housing Bodies

The Local Government Auditor made reference to historic recommendations made in relation to the administration and oversight of funding provided to Approved Housing Bodies.

The committee noted the Chief Executive's response which indicates that the introduction of the new integrated housing system and associated processes should address these recommendations.

The auditor also highlighted the need to address a cumulative debit balance relating to voluntary housing schemes from previous years. The committee noted the Council's commitment to consider funding of this balance during the upcoming budget process.

7. Fixed Assets

The committee noted the increase in fixed assets from €3,336m in 2019 to €3,359m at the end of 2020.

The Local Government Auditor again highlighted the need for a comprehensive property register for all Council property. The committee noted the Chief Executive's response detailing the progress being made in relation to the new property database.

8. Loans Payable

The committee noted the reconciliation of the differences between Housing Finance Agency and Council records which had been highlighted in the 2019 report.

9. Procurement

The committee noted the framework in place to support staff compliance with procurement requirements and the auditor's findings that there was significant progress made in the procurement function in the Council since last year.

The committee welcomes the improvements in compliance levels from the auditors testing and noted that there remains a small number of instances of non-compliance. This ongoing issue was discussed with the auditor and will continue to be monitored by the committee.

The committee acknowledged the Chief Executive's response that the focus and oversight on procurement compliance will continue across the organisation.

10. Local Authority Companies

The Local Government Auditor detailed the five companies in which the Council has an interest and noted that all five companies are limited by guarantee. The most recent financial statements for these companies were noted in the Council's Annual Finance Statement.

The committee noted that in one instance, 2020 financial statements were not available at the date of preparation of the audited Council AFS.

11. Governance & Propriety

The Local Government Auditor gave an overview of the Internal Audit function referring to the staff makeup of the unit and its productivity during the year. He highlighted the important role that Internal Audit has in providing the Chief Executive with assurance in relation to the governance of the organisation.

The auditor also highlighted the activity of the Audit Committee during 2020.

12. Risk Management

The Local Government Auditor made reference to the Council's risk management policy and risk register which includes risks at both corporate and departmental levels. Risks are rated and relevant mitigation actions are recorded as appropriate against the risks. No issues were identified by the auditor. This was noted by the committee.

13. Ethics Declarations

The committee noted that the auditor confirmed that the annual ethics declarations were received for all council members and designated staff as required by legislation.

14. Conclusion

Having considered the Local Government Auditor's report and discussed the various issues with him, the Audit Committee is satisfied with the level of improvement that has taken place over the last number of years in the areas of governance, improved processes and systems, and notes the continuing progress made in relation to legacy issues.

The Audit Committee raised some concerns on individual ongoing items mentioned earlier in this report and have noted the planned measures to address these matters. The committee will continue to monitor progress on outstanding issues as part of their work programme by receiving and considering updates from Management.